

Message Text

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SUBJECT: FCCC SCHEDULE FOR POLYESTER FIBER PLANT

CONSTRUCTION AND INTEREST IN OTHER JOINT

CHEMICAL VENTURES

REF: STATE 018537

BEGIN SUMMARY: FCCC OFFICIALS HAVE RECEIVED CHEMTEX
BID ON POLYESTER PLANT AND ARE NOW EVALUATING IT ALONG
WITH SEVERAL OTHERS. THEY ARE AIMING FOR EARLY DECISION
SO THAT FCCC CAN SHOW START TOWARD PLANNED GOAL OF
EXPANSION AND DEVELOPMENT CHEMICAL SECTOR. THEY WELCOME
PLANNED VISIT OF CHEMTEX OFFICIAL TO KARACHI. END
SUMMARY.

1. FOLLOWING RECEIPT REFTEL DPO CALLED ON
CHAIRMAN OF FEDERAL CHEMICAL & CERAMICS CORP (FCCC)
AND HIS TECHNICAL MANAGER TO EMPHASIZE INTEREST OF
CHEMTEX IN CONSTRUCTION PLANNED POLYESTER FIBER PLANT.
FCCC OFFICIALS STATED THEY HAD RECEIVED CHEMTEX BID FOR
PLANT AND HAD SCRUTINIZED IT CAREFULLY. THEY FOUND CERTAIN
ASPECTS OF OFFER ATTRACTIVE, INCLUDING THAT OF 30 PERCENT
CHEMTEX EQUITY. HOWEVER, THEY ALSO CLAIMED TO FIND CHEMTEX
OFFER SOMEWHAT DEFICIENT IN RELATION TO THOSE SUBMITTED BY
CERTAIN EUROPEAN FIRMS OVER PAST MONTHS IN THAT SIGNIFICANT
AMOUNT TOTAL MACHINERY FOR PLANT, I.E. REFRIGERATION AND
ELECTRICAL

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EQUIPMENT AND PIPES AND FITTINGS, WERE NOT
INCLUDED IN CHEMTEX BID, A FACT WHICH WOULD RAISE REAL COST

OF PLANT BUILT BY CHEMTEX CONSIDERABLY, DESPITE FAVORABLE BASE PRICE MENTIONED IN CHEMTEX BID.

2. FCCC OFFICIALS INFORMED US ECONOMIC COMMITTEE OF NATIONAL ECONOMIC COUNCIL (ECNEC) HAD GIVEN ITS FINAL APPROVAL TO CONSTRUCTION POLYESTER PLANT IN PUBLIC SECTOR ON JAN 25 AND THAT FCCC NOW HAD CLEAR MANDATE TO PROCEED WITH BID EVALUATION AND FINAL CHOICE OF CONTRACTOR AS SOON AS POSSIBLE. BID EVALUATION COMMITTEE WAS NOW AT WORK STUDYING CHEMTEX AND OTHER BIDS FROM FRENCH, GERMAN AND DUTCH FIRMS. COMMITTEE WILL COMPLETE STUDIES BY FEB 15 AND HAND OVER RECOMMENDATIONS TO PRICE NEGOTIATING COMMITTEE, WHICH WILL THEN CONTACT CHOSEN BIDDERS. FCCC ALSO BELIEVES DECISION BUILD POLYESTER PLANT IN PUBLIC SECTOR ELIMINATES PRACTICAL POSSIBILITY CONSTRUCTION OF SIMILAR PLANT BY ICI OR OTHER PRIVATE SECTOR FIRM, OWING LIMITED LOCAL MARKET.

3. FCCC OFFICIALS, DESPITE MILD CRITICISM OF CHEMTEX BID, WOULD ZILCOME DIRECT TALKS HERE WITH CHEMTEX OFFICIAL AS SOON AS POSSIBLE, WHILE BID EVALUATION COMMITTEE STILL AT WORK. THEY THEREFORE HOPE ROGER DYSART OR OTHER CHEMTEX REP WILL ARRIVE HERE SOON.

4. DURING MEETING FCCC SPOKE OF THEIR DESIRE FOR OBTAINING PRESTIGE DUPONT PROCESS FOR POLYESTER FIBER THROUGH CHEMTEX, OWING SALES ADVANTAGES FOR FIBER PRODUCED UNDER DUPONT NAME. IN MORE GENERAL TERMS THEY SPOKE OF THEIR EAGERNESS TO ENTER INTO SOME SORT OF JOINT MANUFACTURING VENTURE WITH AT LEAST ONE OF LARGE U.S. CHEMICAL FIRMS SUCH AS DOW OR HERCULES.

5. COMMENT: FCCC, WHICH IS THE STATE ENTERPRISE ORGANIZATION UNDER BOARD OF INDUSTRIAL MANAGEMENT CONTROLLING ALL PUBLIC SECTOR CHEMICAL PRODUCTION, NOW CLEARLY WISHES PROVE ITS VALUE TO PAK ECONOMY THROUGH EXPANSION EXISTING PLANTS AND CONSTRUCTION NEW UNITS. OWING TO AVAILABILITY SOFT ARAB LOAN FUNDS, SUCH AS THE \$16 MILLION FROM SAUDI ARABIAN \$80 MILLION LOAN WHICH LIMITED OFFICIAL USE
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HAS BEEN ALLOTTED TO POLYESTER FIBER PLANT, OPPORTUNITIES FOR COOPERATION WITH LARGE U.S. CHEMICAL FIRMS NOW APPEAR GOOD AND AT LEAST WORTHY OF INVESTIGATION THROUGH PERSONAL VISITS OF RESPONSIBLE COMPANY REPRESENTATIVES TO FCCC. FCCC'S ACTUAL EXPANSION ACTIVITIES OF PAST YEAR HAVE BEEN LIMITED TO ENLARGEMENT OF CAUSTIC SODA PLANT AT GHARO EAST OF KARACHI WITH JAPANESE ASSISTANCE BUT FCCC NOW ALSO WISHES EXPAND ITS SODA ASH PLANT AND HAS ALSO SIGNED AGREEMENT WITH USAID FOR FINANCE OF FEASIBILITY STUDY ON SHEET GLASS AND PESTICIDE PRODUCTION.

IN SHORT, CHEMICAL PRODUCTION IN PUBLIC SECTOR WOULD
SEEM TO BE ONE AREA WHERE U.S. FIRMS ASSISTED BY
COMMERCE MAY FIND AREAS FOR PROFITABLE COOPERATION IN
PAKISTAN.
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